The Institute of Chartered Accountants of India

Code: IN6AF412263
Subject : 06A Financial Management
Total Marks: 35
Marks Obtained : 32

Number of Answer Books used : Main + ... additional sheets

Date Seal 15 SEP 2025

For use by ICAI only

412263

A

SEPTEMBER, 2025

✗

Paper Code

V Ⓐ Ⓑ Ⓒ Ⓓ Ⓔ Ⓕ Ⓖ Ⓗ Ⓘ Ⓙ Ⓚ Ⓛ Ⓜ Ⓝ Ⓞ Ⓟ Ⓠ Ⓡ Ⓢ Ⓣ Ⓤ ● Ⓦ Ⓧ Ⓨ Ⓩ
K Ⓐ Ⓑ Ⓒ Ⓓ Ⓔ Ⓕ Ⓖ Ⓗ Ⓘ Ⓙ ● Ⓛ Ⓜ Ⓝ Ⓞ Ⓟ Ⓠ Ⓡ Ⓢ Ⓣ Ⓤ Ⓥ Ⓦ Ⓧ Ⓨ Ⓩ
A ● Ⓑ Ⓒ Ⓓ Ⓔ Ⓕ Ⓖ Ⓗ Ⓘ Ⓙ Ⓚ Ⓛ Ⓜ Ⓝ Ⓞ Ⓟ Ⓠ Ⓡ Ⓢ Ⓣ Ⓤ Ⓥ Ⓦ Ⓧ Ⓨ Ⓩ
1

MCQ Booklet Serial No.

8	9	4	1	2	3	0
⓪	⓪	⓪	⓪	⓪	⓪	●
①	①	①	●	①	①	①
②	②	②	②	●	②	②
③	③	③	③	③	●	③
④	④	●	④	④	④	④
⑤	⑤	⑤	⑤	⑤	⑤	⑤
⑥	⑥	⑥	⑥	⑥	⑥	⑥
⑦	⑦	⑦	⑦	⑦	⑦	⑦
●	⑧	⑧	⑧	⑧	⑧	⑧
⑨	●	⑨	⑨	⑨	⑨	⑨

Paper No.

6

③
●

Level of Exam ▶ Intermediate | Intermediate ●

MCQ Answers for section A and B

1	Ⓐ	●	Ⓒ	Ⓓ	11	Ⓐ	●	Ⓒ	Ⓓ	21	Ⓐ	Ⓑ	Ⓒ	Ⓓ
2	Ⓐ	●	Ⓒ	Ⓓ	12	●	Ⓑ	Ⓒ	Ⓓ	22	Ⓐ	Ⓑ	Ⓒ	Ⓓ
3	Ⓐ	●	Ⓒ	Ⓓ	13	●	Ⓑ	Ⓒ	Ⓓ	23	Ⓐ	Ⓑ	Ⓒ	Ⓓ
4	Ⓐ	Ⓑ	Ⓒ	●	14	●	Ⓑ	Ⓒ	Ⓓ	24	Ⓐ	Ⓑ	Ⓒ	Ⓓ
5	Ⓐ	Ⓑ	●	Ⓓ	15	Ⓐ	●	Ⓒ	Ⓓ	25	Ⓐ	Ⓑ	Ⓒ	Ⓓ
6	●	Ⓑ	Ⓒ	Ⓓ	16	Ⓐ	●	Ⓒ	Ⓓ	26	Ⓐ	Ⓑ	Ⓒ	Ⓓ
7	●	Ⓑ	Ⓒ	Ⓓ	17	Ⓐ	Ⓑ	Ⓒ	Ⓓ	27	Ⓐ	Ⓑ	Ⓒ	Ⓓ
8	Ⓐ	Ⓑ	●	Ⓓ	18	Ⓐ	Ⓑ	Ⓒ	Ⓓ	28	Ⓐ	Ⓑ	Ⓒ	Ⓓ
9	Ⓐ	Ⓑ	Ⓒ	●	19	Ⓐ	Ⓑ	Ⓒ	Ⓓ	29	Ⓐ	Ⓑ	Ⓒ	Ⓓ
10	Ⓐ	Ⓑ	●	Ⓓ	20	Ⓐ	Ⓑ	Ⓒ	Ⓓ	30	Ⓐ	Ⓑ	Ⓒ	Ⓓ

3000018026

The Institute of Chartered Accountants of India

Code: IN6AF412263
Subject : 06A Financial Management

Total Marks: 35
Marks Obtained : 32

page or in a consecutive set of pages, before the next question

in the answer booklet with the marking Ⓐ on the cover page and
rking Ⓑ on the cover page. In case a candidate writes the answers in
alued and no correspondence in this regard will be entertained.

space provided for the purpose or writing distinguishing mark, symbols like "OM",
o adoption of "unfair means"

to the invigilator take care to score out (X) blank pages, if any, that you might have left.

⑤	⑤	⑤	⑤	⑤	●	⑤	⑤	⑤	⑤
⑥	⑥	⑥	⑥	⑥	⑥	●	⑥	⑥	⑥
⑦	⑦	⑦	⑦	⑦	⑦	⑦	●	⑦	⑦
⑧	⑧	⑧	⑧	⑧	⑧	⑧	⑧	●	⑧
⑨	⑨	⑨	⑨	⑨	⑨	⑨	⑨	⑨	●

IONS TO THE CANDIDATE FOR FILLING THE MCQ ANSWER FIELDS

encil to Darken the appropriate Circle.

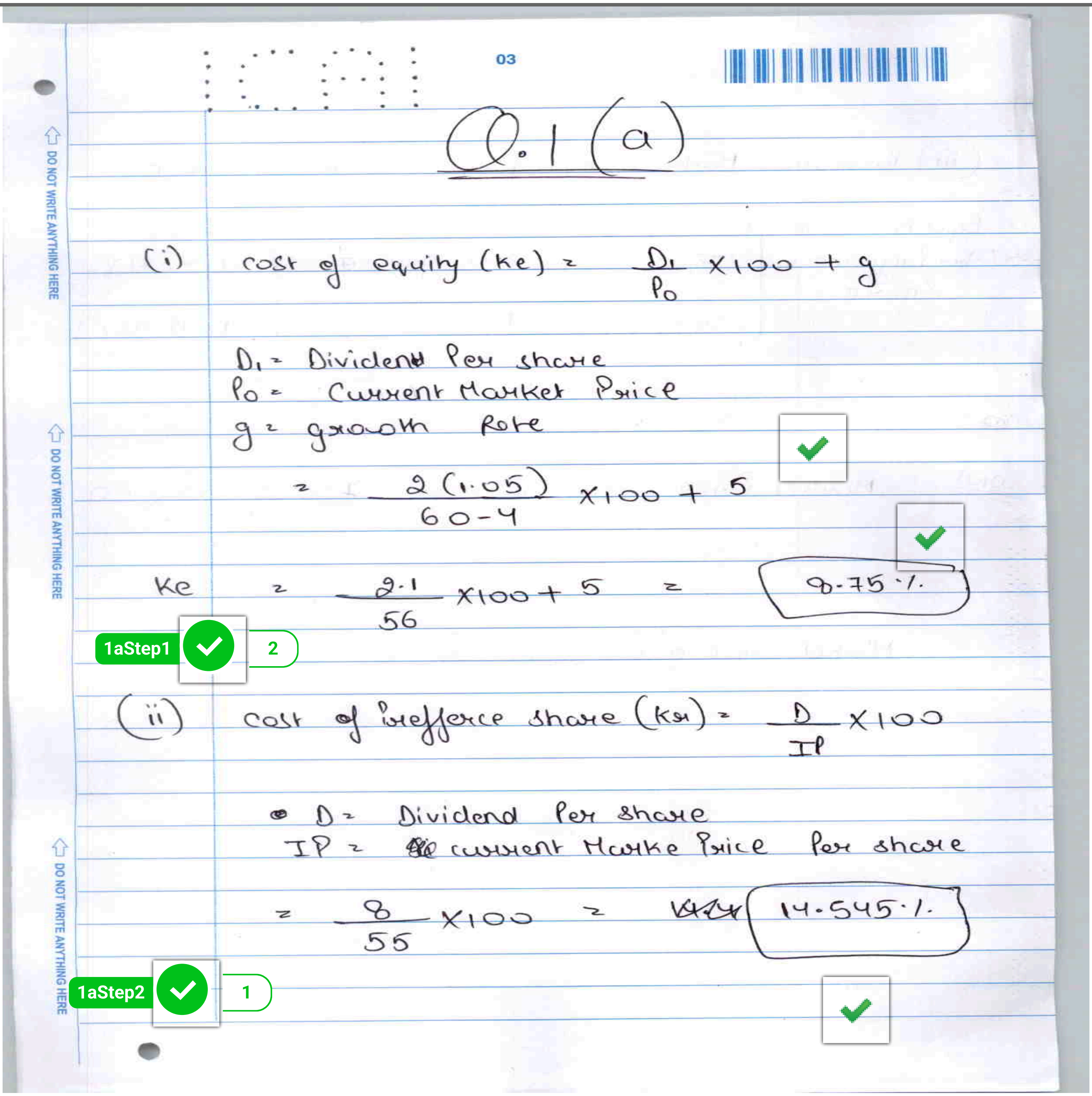
ken the correct MCQ Booklet Serial No. as printed on your question booklet which will be taken as final for evaluation.
candidate fills in this information wrongly, Institute will not take any responsibility for rectifying the mistake.
arken the complete circle.
ou want to change your Answer, erase the darkened circle completely and make a fresh mark.
lease do NOT make any stray marks on the OMR cover page.
6. Rough work must NOT be done on the OMR cover page.
7. Mark your answer only in the appropriate space against the number corresponding to the question.

How to mark answers

CORRECT METHOD	WRONG METHOD
Ⓐ ● Ⓒ Ⓓ	☒ ✓ ◉ ○

Q. No.	To be ticked ✓ by the candidate against the Questions answered (Descriptive Type)		
1	☐	8	☐
2	☐	9	☐
3	☐	10	☐
4	☐	11	☐
5	☐	12	☐
6	☐	13	☐
7	☐	14	☐
Total		**Total**	

Code: IN6AF412263 **Total Marks:** 35
Subject : 06A Financial Management **Marks Obtained :** 32



03

Q.1 (a)

(i) cost of equity (ke) = $\frac{D_1}{P_0} \times 100 + g$

D_1 = Dividend Per share
P_0 = Current Market Price
g = growth Rate

$= \frac{2(1.05)}{60-4} \times 100 + 5$ ✓

Ke $= \frac{2.1}{56} \times 100 + 5 = \boxed{8.75\ \%}$ ✓

1aStep1 ✓ 2

(ii) cost of prefference share (Kr) = $\frac{D}{IP} \times 100$

D = Dividend Per share
IP = ~~[illegible]~~ current Marke Price Per share

$= \frac{8}{55} \times 100 =$ ~~[illegible]~~ $\boxed{14.545\ \%}$ ✓

1aStep2 ✓ 1

(iii)

Particular	Market Value	Proportion	(in Percentage) Cost %	WACC
Equity share	6,00,00,000	.686	8.75	6.0025
8% Irr. Prefference Share	2,75,00,000	.314	14.5~~7~~45	4.56713
	875,00,000	1		10.5696%

Ko = 10.5696%

WN1

Market Price of Equity share : $\frac{100,00,000}{10} \times 60$

= 6,00,00,000

Market Price of Prefference share

= $\frac{500,00,000}{100} \times 55$ = 2,75,00,000

1aStep3 ✓ 2

1a ✓ 5

05

Q. 1 (B)

WN

Income statement

Sales	55,00,000
Direct cost	30,00,000
Gross Profit	25,00,000
less operating expense	480,000
operating profit (EBIT	20,20,000 ✓
(-) Interest @ 10.5%	183,750
(EBT) Earning Before Tax	18,36,250
(-) Tax @ 33%	605,963
Net Profit (PAT)	12,30,287 ✓

1bStep1 ✓ 1

(i) Profit After tax = 12,30,287 WN1

(ii) Net Profit Margin $= \frac{\text{Net Profit}}{\text{Sales}} \times 100$ ✓

$= \frac{12,30,287}{55,00,000} \times 100 = \boxed{22.369\ \%}$

1bStep2 ✓ 1

06

(ii) $\frac{\text{EBIT}(1-\text{Tax})}{\text{Sales}} \times 100$

$= \frac{20,20,000\,(1-33\%)}{55,00,000} \times 100$

$= \boxed{24.61\%}$

(iii) Return on Asset $= \frac{\text{Net Profit}}{\text{Total Asset}} \times 100$

$= \frac{12,30,287}{50,00,000} \times 100$

$= \boxed{24.61\%}$ or $\boxed{24.605\%}$ ✗

1bStep3 ✗ 0

(iv) Asset Turnover Ratio

$= \frac{\text{Sales}}{\text{Total Asset}}$ ~~×100~~

$= \frac{55,00,000}{50,00,000} = \boxed{1.1}$ ✓

1bStep4 ✓ 1

(v) $\text{Return on Equity} = \frac{\text{Net Profit}}{\text{Equity shareholder fund}} \times 100$

$= \frac{12,30,287}{32,50,000} \times 100$

$\boxed{= 37.85\%}$ ✓

1bStep5 ✓ 1

WN Equity share holder fund

$= 50,00,000 \times 65\%$

$= 32,50,000$

Debt (10.5%) $= 50,00,000 \times 35\%$

$= 17,50,000$

Int ~~Rate~~ Interest = $1750,000 \times 10.5\%$

$= 183,750$

1b ✓ 4

Q.1(c)

1. Calculation of cash outflow

Cost of New Machine	32,00,000
less : Sale value of old Machine	(960,000)
	22,40,000

1cStep1 ✓ 1

2. Calculation of incremental Depriciation

Depriciation on old Machine $\left[\frac{16,00,000}{10}\right]$	160,000
Depriciation on New Machine $\left[\frac{32,00,000 (-) 320,000}{5}\right]$	576,000
Incremental Depriciation	416,000

3. Calculation of Incremental Revenue

Contribution of old Machine	16,00,000
Contribution of New Machine	18,40,000
	240,000
Add Further Saving	320,000
Incremental saving	560,000
less Incremental Depriciation	416,000
Profit Before ~~After~~ tax	✓ 144,000
less tax @ 33%	(47520)
Profit After tax	96,480
Add Depriciation	416,000
Incremental cash flow	512,480

10

4. Calculation of capital gain on old Machine

Cost of Machine	16,00,000
Depriciation for 5 year: (160,000 x 5)	800,000
Book value	800,000
Less: Sale value	(960,000)
Capital gain	160,000
Tax on capital gain @ 33%	$\boxed{52,800}$

5. Calculation of NPV

(A)	Pv of cash outflow :	22,40,000
	P.V of cash inflow (512,480 X 3.605)	18,47,490 ✓
	P.V of salvage Value (320,000 X .567)	181,440
	P.V of tax on capital gain (52,800 X .567)	(29,938)
	(B)	19,98,992

	~~P.V of cash outflow (A)~~	~~22,40,000~~	
	~~less P.V of cash inflow (B)~~	~~(19,98,992)~~	
	PV of cash inflow (B)	19,98,992	✗
(-)	P.V of cash outflow (A)	(22,40,000)	
	Net Present Value	(241,008)	✗

NPV = (241,008)

Since NPV is negative Machine should not Be Replaced.

1cStep2 ✓ 2

1c ✓ 3

1 ✓ 12

The Institute of Chartered Accountants of India

Code: IN6AF412263 **Total Marks:** 35
Subject : 06A Financial Management **Marks Obtained :** 32

12

Q.2(a)

	Sales	75,00,000
less:	Variable cost	45,00,000
	Contribution @ 40%	30,00,000
	(75,00,000 × 40%)	
	less: fixed cost	17,50,000
	EBIT	12,50,000
less:	Int on 6% Deb	300,000
	Int on 8% loan	168,750
	EBT	781,250
(−)	tax @ 30%	(234,375)
	Net Earning available to ESH	546,875 ✓

(i) operating leverage : $\frac{\text{Contribution}}{\text{EBIT}}$

$2.4 = \frac{30,00,000}{\text{EBIT}}$

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

Code: IN6AF412263 **Total Marks:** 35
Subject : 06A Financial Management **Marks Obtained :** 32

EBIT = $\boxed{12,50,000}$ ✓

2aStep1 ✓ 1

(ii) fixed cost = contribution (-) EBIT

= 30,00,000 (-) 12,50,000

$\boxed{= 17,50,000}$ ✓

2aStep2 ✓ 1

~~(iii)~~ (iii) Financial liverage = $\frac{\text{Combine liverage}}{\text{operating liverage}}$

$= \frac{3.84}{2.4} = \boxed{1.6}$

→ financial liverage = $\frac{\text{EBIT}}{\text{EBIT (-) Interest}}$ | $\frac{\text{EBIT}}{\text{EBT}}$

∴ Intrest on 6% Deb = 300,000
(50,00,000 × 6%)

∴ ~~Let Intrest on 8% Bank loan be x~~

1.6 = $\frac{12,50,000}{\text{EBT}}$

$\boxed{EBT = 781,250}$

EBT = EBIT (−) Int on 6% Debenture (−) Int on loan

781,250 = 12,50,000 (−) 300000 (−) Int on loan

→ Interest on 8% loan = $\boxed{168,750}$ ✓

→ Amount of Bank loan = $\dfrac{\text{Interest}}{\text{Int Rate}}$

$= \dfrac{168,750}{8\%} = \boxed{21,09,375}$ ✓

2aStep3 ✓ 2

(iv) Earning Per share :

$\dfrac{\text{Net Earning Available to ESH}}{\text{No. of Equity share}}$

$\dfrac{546,875}{12,500} = \boxed{43.75}$

$\boxed{EPS = 43.75}$ ✓

2aStep4 ✓ 2

(v) Market Price Per share = P/E Ratio × EPS

= 8 × 43.75

$\boxed{\text{MPS} = 350}$ ✓

2aStep5 ✓ 1

2a ✓ 7

Q.2 (B)

(i) Market Price (P) = $\frac{E(1-B)}{Ke - Br}$

E = Earning Per share = $\frac{500,000}{50,000}$ = $\boxed{₹10}$

Ke = cost of Equity = $\boxed{8\%}$

r = Rate of Return = $\boxed{12\%}$

B = Retention Ratio

∴ Let Retention Ratio Be 'B'

$159.09 = \frac{10(1-B)}{.08 \; (-) \; B \times .12}$

$159.09 = \frac{10 - 10B}{.08 \; (-) \; .12B}$

$12.7272 \; (-) \; 19.0908B = 10 - 10B$

$B = \frac{2.7272}{9.0908}$

Code: IN6AF412263
Subject : 06A Financial Management

Total Marks: 35
Marks Obtained : 32

$= \cdot 3$ $\boxed{\text{or}}$ $\cdot 2999$

$\boxed{B = 30\%}$ ✓

Dividend Per share $= E(1-B)$

$= 10(1 - \cdot 3)$

Dividend Per share $\boxed{= ₹7}$ ✓

2bStep1 ✓ 2

(ii) when $r = K_e$, every Dividend Payout Ratio is optimum, ✓

∴ Since when $r = K_e$ Divident Payout Ratio has no effect on Market Price of share

2bStep2 ✓ 1

2b ✓ 3

2 ✓ 10

Code: IN6AF412263 **Total Marks:** 35

Subject : 06A Financial Management **Marks Obtained :** 32

Q.3(B)

cost of Debenture (Kd) = $$\frac{I(1-T) + \frac{RV - NP}{n}}{\frac{RV + NP}{2}}$$

I = Intrest (100×18%) = $\boxed{18}$

R.V = Redemption Value = $\boxed{100}$

NP = Net Proceed = $\boxed{\text{let NP}}$

n = No. of year = $\boxed{8 \text{ year}}$

$$.1458 = \frac{18(1-.3) + \frac{100 - NP}{8}}{\frac{100 + NP}{2}}$$

✓

or ~~.1458 = 12.6 + 100 - NP~~

~~$\frac{.2916}{100 + NP} = 12.6 + \frac{100 - NP}{8}$~~

19

✗

$$.1458 = \frac{12.6 + 12.5 (-) .125 NP}{50 + .5 NP}$$

$$7.29 + .0729 NP = 12.6 + 12.5 (-) .125 NP$$

$$\boxed{NP = 90}$$ ✓

3bStep1 ✓ 2

Issue Price = 90

(ii) Ke = 18 (1 - 30%.

✗

3bStep2 ✓ 1

3b ✓ 3

The Institute of Chartered Accountants of India

Code: IN6AF412263
Subject : 06A Financial Management

Total Marks: 35
Marks Obtained : 32

SEPTEMBER 2025

Addl. Book No. 1

THE INSTITUTE OF CHARTERED ACCOU
ADDL. BOOK

3000018026

DO NOT WRITE ROLL NUMBER ANYWHERE IN THIS ADDITIONAL ANSWER BOOK

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

✗

$$\frac{.2916}{100+NP} = \frac{100.8 + 100 - NP}{8}$$

$$2.3328 = 100 + NP\,(.8 - NP)$$

$$2.3328 = 80 - 100NP + .8NP - NP^2$$

~~$(-)77.6672 + 99.2NP + NP^2$~~

$$-NP^2 - 99.2NP + 77.6672 = 0$$

2

✗

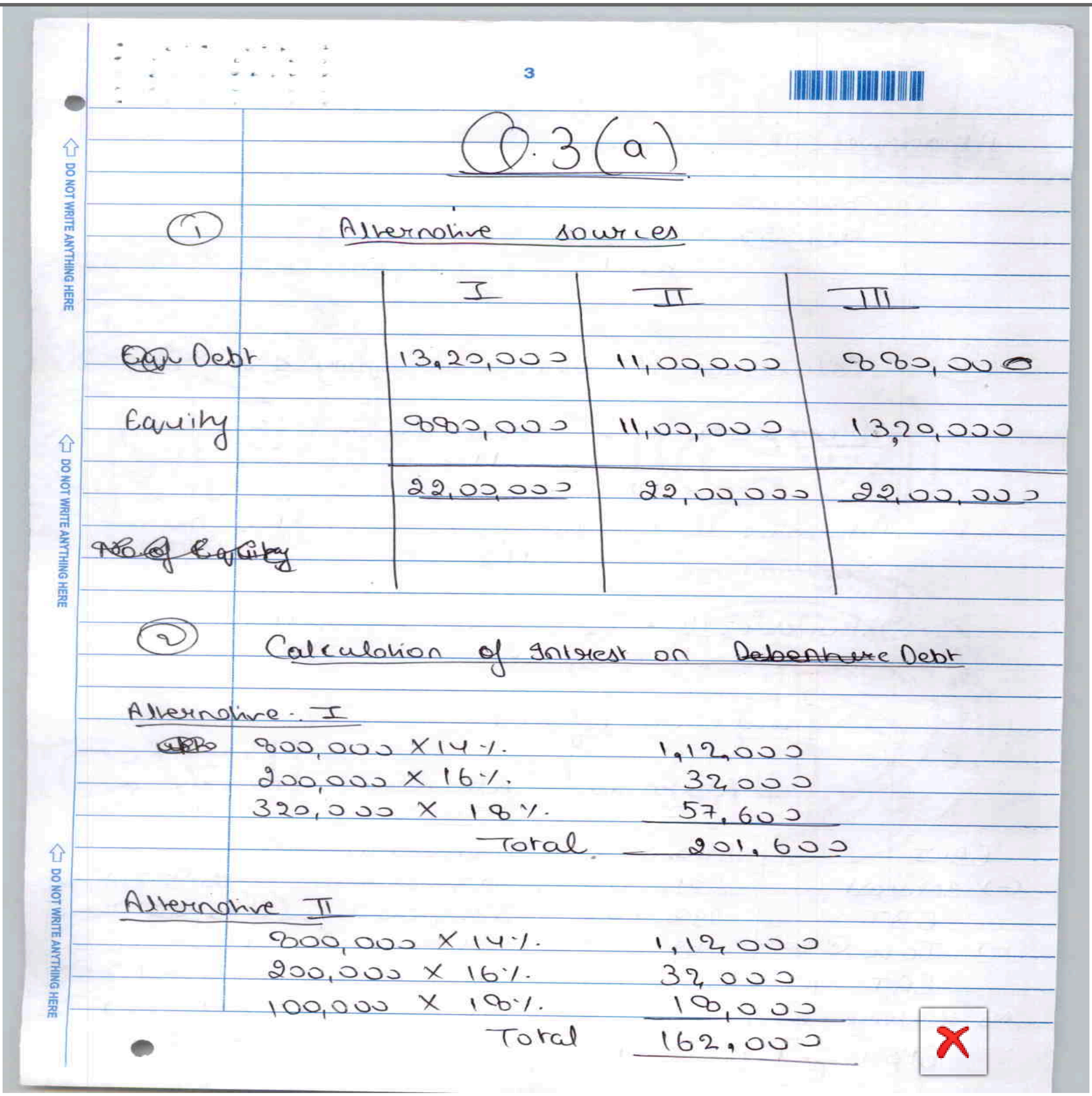
DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

Code: IN6AF412263 **Total Marks:** 35

Subject : 06A Financial Management **Marks Obtained :** 32



3

Q.3(a)

① Alternative sources

	I	II	III
~~Eq~~ Debt	13,20,000	11,00,000	880,000
Equity	880,000	11,00,000	13,20,000
	22,00,000	22,00,000	22,00,000
~~No of Equity~~			

② Calculation of Interest on ~~Debenture~~ Debt

Alternative : I

~~[illegible]~~ 800,000 X 14%	1,12,000
200,000 X 16%	32,000
320,000 X 18%	57,600
Total	201,600

Alternative II

800,000 X 14%	1,12,000
200,000 X 16%	32,000
100,000 X 18%	18,000
Total	162,000

Code:	IN6AF412263	**Total Marks:**	35
Subject :	06A Financial Management	**Marks Obtained :**	32

3000018026

Alternative III

800,000 X 14% = 1,12,000
80,000 X 16% = 12,800
total 124,800

③ Calculation of Number of Equity share

Alternative I : $\frac{880,000}{110}$ = 8000

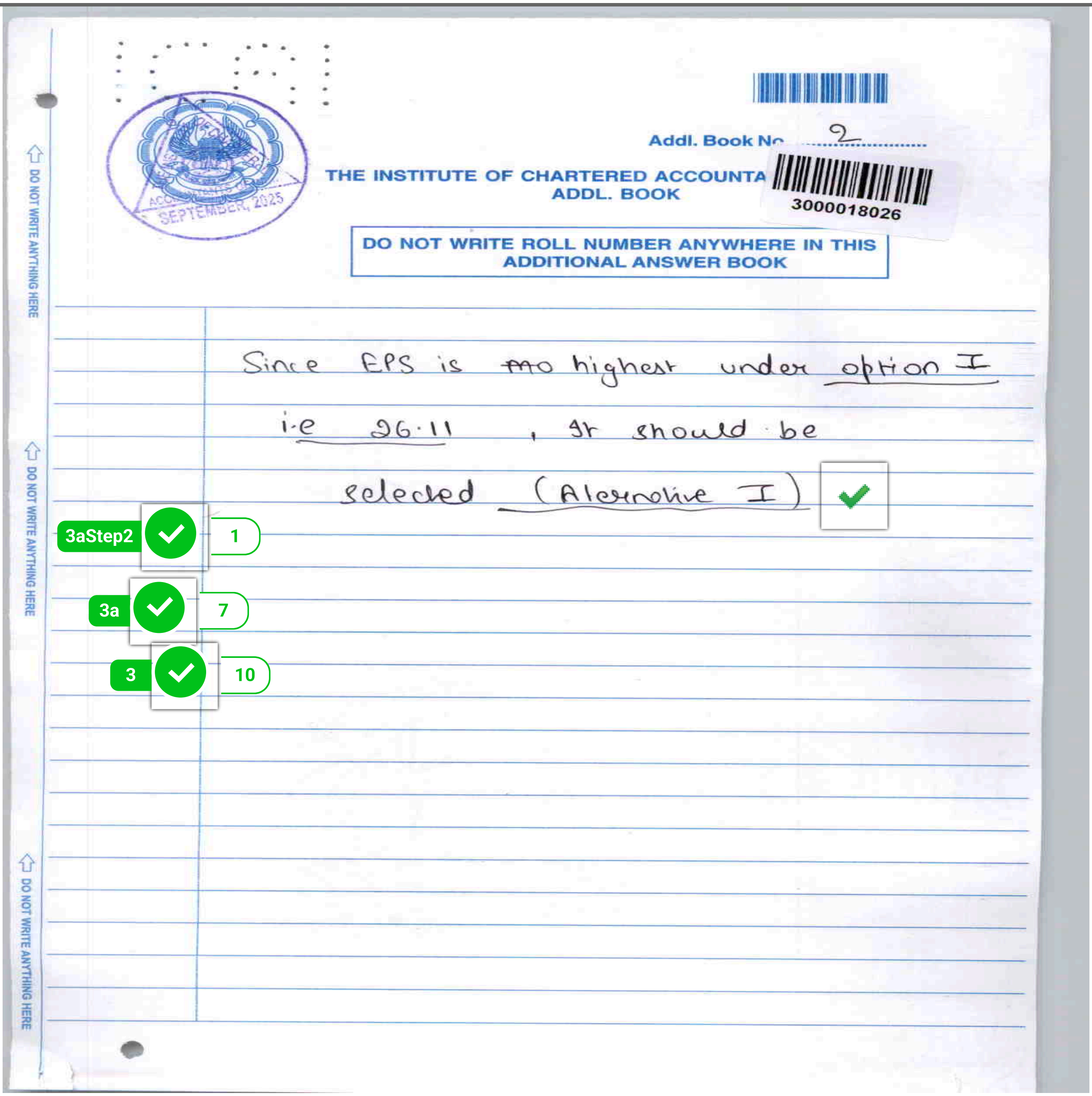
Alternative II = $\frac{11,00,000}{110}$ = 10,000

Alternative III = $\frac{13,20,000}{120}$ = 11,000

④ Calculation of EPS

3aStep1 ✓ 6

	Alternative I	Alternative II	Alternative III
EBIT	500,000	500,000	500,000
(-) Interest	201,600	162,000	124,800
EBT	298,400 ✓	338,000 ✓	375,200 ✓
(-) Tax @ 30%	89,520	101,400	112,560
EAT (A)	208,880 ✓	236,600 ✓	262,640 ✓
No. of share (B)	8000 ✓	10,000 ✓	11,000 ✓
EPS $\left[\frac{A}{B}\right]$	26.11 ✓	23.66 ✓	23.876 ✓



SEPTEMBER, 2025

Addl. Book No 2

THE INSTITUTE OF CHARTERED ACCOUNTA
ADDL. BOOK

3000018026

DO NOT WRITE ROLL NUMBER ANYWHERE IN THIS ADDITIONAL ANSWER BOOK

DO NOT WRITE ANYTHING HERE

Since EPS is ~~mo~~ highest under option I
i.e 26.11, It should be
selected (Alternative I) ✓

3aStep2 ✓ 1

3a ✓ 7

3 ✓ 10

2

✗

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

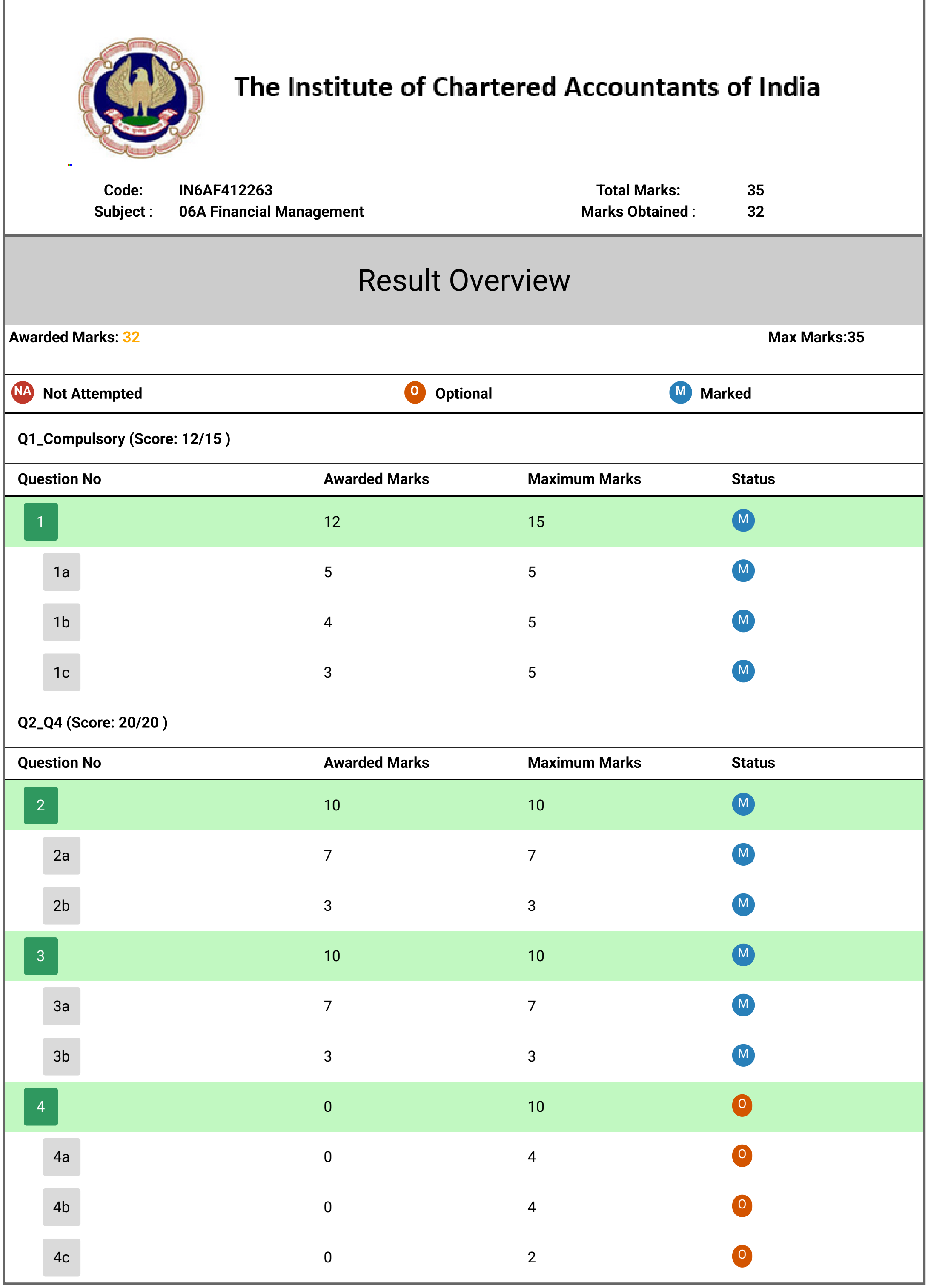
4

3000018026

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: IN6AF412263
Subject : 06A Financial Management

Total Marks: 35
Marks Obtained : 32

Result Overview

Awarded Marks: 32 **Max Marks:35**

NA **Not Attempted** O **Optional** M **Marked**

Q1_Compulsory (Score: 12/15)

Question No	Awarded Marks	Maximum Marks	Status
1	12	15	M
1a	5	5	M
1b	4	5	M
1c	3	5	M

Q2_Q4 (Score: 20/20)

Question No	Awarded Marks	Maximum Marks	Status
2	10	10	M
2a	7	7	M
2b	3	3	M
3	10	10	M
3a	7	7	M
3b	3	3	M
4	0	10	O
4a	0	4	O
4b	0	4	O
4c	0	2	O